

FINANCIAL TIMES



Bosnian polls
Uneasy alliances
Page 11



Liam Gallagher
What price a voice?
Page 10



Coal to gas
Cleaning up in east Germany
Environment, Page 8

WorldCom and MFS
A new breed of entrepreneur
Page 15

World Business Newspaper <http://www.ft.com> WEDNESDAY AUGUST 28 1996



Political battle looms over Iraqi hijackers in UK

A political row broke out over the fate of the Iraqi hijackers of a Sudanese airliner who surrendered to police at London's Stansted Airport after freeing the 199 passengers and crew. Several prominent Conservative MPs urged the UK government to expel the hijackers while an opposition backbencher said such action could risk their assassination by President Saddam Hussein's regime. **Page 12**

Bosnian municipal elections postponed: Bosnian municipal elections have been postponed because of alleged irregularities by Serb authorities in registering voters. The elections had been planned to coincide with the first national poll since the country's civil war. **Page 12; Web of protection, Page 11**

US bid to stem Helms-Burton damages: The Clinton administration is sending a top trade diplomat to Mexico, Canada and Europe to try and repair the damage to US relations with some of its closest allies caused by the passage of the controversial Helms-Burton Act on investment in Cuba. **Page 4**

Swiss Reinsurance, number two among companies which protect conventional insurers against losses, has bought Mercantile & General, the reinsurance arm of the Prudential Corporation, for £1.75bn (\$2.7bn). **Page 13; Lex, Page 12**

Kremlin accused of 'stupidity': Russia's business community accused the Kremlin of everything from "stupidity" to "Maoism" over proposals to tax all personal bank deposits and withdrawals and tighten restrictions on cash withdrawals by businesses. **Page 12**

Daimler-Benz, the German transport group, is expected to announce that it has recovered strongly from last year's record net loss of DM5.7bn (\$3.82bn) as it reports half-year results. The company recorded the worst financial loss in German corporate history in 1995. **Page 13; Weighting up managerial fat, Page 14**

Computer Associates in Internet moves: Computer Associates, the US-based business software group, has set up an Internet unit called NetHaven designed to help business customers create, manage and promote multimedia corporate World Wide Web sites. **Page 15**

Amer, the Finnish group which controls US sports equipment maker Wilson and other sports brands, reversed the recovery in its battered shares when it warned it was likely to remain in the red this year. **Page 13**

Concern over Danish anti-EU case: Concern is growing that legal action by opponents of Denmark's European Union membership could impede the country's participation in development of the EU and hinder moves towards closer integration agreed by member states. **Page 2**

Roche shares fall: Shares in Roche, the Swiss drugs company, fell after the company said first-half operating profits were hit by drugs price cuts in Japan and Italy as well as price cuts in fragrances and its US laboratory business. It also warned of increasing marketing costs. **Page 13**

Flat reaction to Bass merger: Response to the merger of the brewing interests of Bass and Carlsberg-Tetley was muted, soothing fears of Bass, Carlsberg and Allied Domecq that the agreement could face referral to the Monopolies and Mergers Commission in the UK. **Page 17**

MAN, the German truck and printing machine manufacturer, posted a 21 per cent rise in provisional pre-tax profits for the year ended June 30, from DM272m to DM330m (\$223.2m). **Page 14**

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FT.com: the FT web site provides online news, comment and analysis at <http://www.ft.com>

STOCK MARKET INDICES		GOLD	
New York headline	5,702.03 (+6.14)	New York Comex	384.5 (384.5)
Dow Jones Ind. Av.	5,702.03 (+6.14)	London	388.95 (387.65)
NASDAQ Composite	1,144.66 (+5.43)	Lead: close	388.95
Europe and Far East		DOLLAR	
CAC40	2,077.99 (+2.43)	New York headline	1.53375
FTSE 100	2,598.94 (+8.84)	DM	1.47806
Nikkei	3,908.7 (-1.2)	FF	3.96305
US LINGUETTE RATES		STERLING	
Federal Funds	5.75%	DM	2.2887 (2.3117)
3-mth Truss BRS: Yld	5.177%	Tokyo \$ close	¥107.76
Long Bond	37.5		
Yield	6.982%		
OTHER RATES			
UK 3-mth Interbank	5.75%		
UK 10 yr Gilt	6.75%		
France 10 yr OAT	105.61 (105.58)		
Germany 10 yr Bund	99.07 (98.88)		
Japan 10 yr JGB	98.8768 (98.1868)		

NORTH SEA OIL (Argentine)	
Brent Blend	20.535
Dutch	20.535

CONTENTS	
News	1
Features	11
Company & Finance	17
Markets	20
Recent Issues	20
Share Information	24.25
UK	10
International	14-15
Int. Cap. Mkts	16
Foreign Exchanges	19
London SE	20
Gold Markets	20
Int. Bond Service	20
Web Street	27-30
Managed Funds	21-23
Money Markets	23
Bourses	27-30

US calls off talks with UK on open skies deal

By Michael Skapinker, Aerospace Correspondent
The US has called off today's talks with the UK on an open skies agreement, throwing into doubt the planned alliance between British Airways and American Airlines.

The US government said yesterday that it had told UK negotiators there was no point in coming to Washington because British proposals "fell so far short of providing the essential elements of an open skies agreement that talks would not be productive".

Although the two sides said they would remain in touch, no date has been set for the resumption of talks. The US has made the conclusion of an open skies agreement a precondition for approval of the BA-American link-up, which would be the most powerful alliance in world aviation.

The US is committed to concluding an open skies agreement but the two governments differ over what the term means. The UK has been resisting US demands that its carriers be given the right to fly to third countries from the UK, the so-called "beyond rights".

The US is believed to be reluctant to accept a UK proposal for a tribunal to be set up to protect smaller carriers against predatory pricing and anti-competitive behaviour by larger airlines. The UK Department of Transport said yesterday it was surprised at the US decision. It said its proposals "go a long way to removing restrictions on the aviation market, in particular the opening of airports."

The UK believes this agreement is based in favour of the US because, among other things, it grants "beyond rights" to US carriers without giving German airlines the ability to carry passengers within the US or to acquire US carriers. A difficulty for the US to agreeing to an improved agreement with the UK is that Germany has the right to revise its accord if any other country receives better terms.

UK insurance market clears final hurdle

US court lifts threat to Lloyd's recovery plan

By Ralph Atkins in London and Richard Waters in Baltimore

New hurdle for Lloyd's... Page 10
Lex... Page 12

Lloyd's of London was last night poised to announce a dramatic comeback for the 306-year-old insurance market after overturning a US court order which had threatened to undermine its \$3.2bn (\$5bn) recovery plan.

An eleventh-hour appeal court ruling in Baltimore dismissed an injunction imposed last Friday by a federal court in Virginia and clears the way for Lloyd's to declare its recovery plan unconditional this week.

Implementation of the reconstruction plan. We always believed that we were doing the right thing for the membership of the society (of Lloyd's).

Earlier, the UK Department of Trade and Industry had warned that failure to overturn the injunction - which would have forced Lloyd's to comply with US securities laws and supply considerably more information about the plan - could have forced Lloyd's out of business.

The appeal result came less than 18 hours ahead of a noon deadline set for Names - the individuals whose assets have traditionally supported the insurance market - to accept or reject the plan. An extension of four or five days is now expected.

There is no precise level of support required for the plan to go unconditional because Lloyd's has to meet two objectives. It must end litigation by Names for damages for their losses and it must also raise sufficient funds from Names to finance Equitas - a giant reinsurance company that will take responsibility for billions of pounds of mainly US asbestos and pollution liabilities.

US rivals square up in nappy market

By Hugh Carnegie in Stockholm

China steps closer to backing new leadership team

By Tony Walker in Beijing

A fierce battle for customers in Europe's disposable baby nappy market intensified yesterday when Kimberly-Clark took over the Pampers brand in France from the Swedish pulp and paper group SCA.

China appears to have moved closer to endorsing a new leadership team which would bolster President Jiang Zemin and pave the way for a replacement for Premier Li Peng, who retires in early 1998.

The acquisition pitched Kimberly-Clark into a head-to-head struggle for supremacy with Procter & Gamble, its rival US producer. In exchange SCA took over Kimberly-Clark's tissue mill at Prudhoe in northern England.

The new line-up is not due to be approved until a Communist party congress scheduled for next year, but the proposed personnel shifts are likely to be debated at a plenary session of the party Central Committee to be held in Beijing next month.

Years
at top.
the small
initial.

Clinton courts grassroots support



US president Bill Clinton meets supporters during his rail trip through the Midwest to the Democratic convention in Chicago where he will claim the party's presidential nomination. Speaking at a factory in Toledo, Ohio, yesterday Mr Clinton praised the trade union movement and promised renewed efforts to combat illiteracy. "There is a connection between what we do, or fail to do, in Washington and how you live here in Toledo," he said. Clinton heads for celebratory Democratic convention, **Page 6**

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Calls for patriotism increase in China

By Tony Walker in Beijing

China has called for a stronger show of patriotism, in a development which is certain to intensify concerns about the growth of a violent Chinese nationalism hostile towards the west.

"The west says that Chinese patriotism is something backward and should be despised," the magazine said in its latest edition. "We must see their vicious intentions and raise our patriotism flag high. We have done far from enough in advocating patriotism."

Publication of the commentary coincides with a runaway success for a book by young scholars, titled China Can Say No, which advocates resistance to western culture and products.

Beijing and Washington over questions such as Taiwan and access to local markets. The nationalist trend also reflects popular disquiet over imports made by foreign brand-names at the expense of local makes.

But it is highly unlikely the controversial book, modelled on a Japanese work on a similar theme, would have been published without high-level approval. Chinese leaders, including the premier, Mr Li Peng, have made a virtue recently of banging the nationalist drum.

Beijing yesterday accused Washington of impeding peaceful reunification of China and Taiwan by selling advanced weapons to the island. A decision by the US to sell Stinger missiles and other weapons to Taiwan was "a kind of obstacle to peaceful reunification" of China and Taiwan, Mr Shen Guofang, foreign ministry spokesman, told the press.

ASIA-PACIFIC NEWS DIGEST

Japanese plan for rail debt

Japan's transport ministry has drawn up a plan to dispose of debts incurred by Japanese National Railways (JNR), the state-run railway group which was broken up into seven companies in 1987.

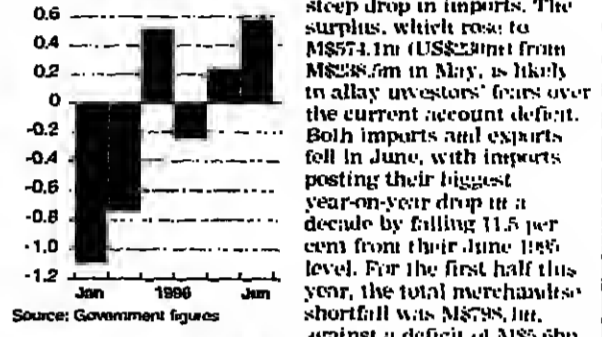
The plan, which is to be sent to the finance ministry, will include the splitting of debts put at ¥28,300bn (US\$200bn) held by JNR Settlement, a special entity created to dispose of JNR assets.

The move comes amid rising criticism of government delays over the disposals.

The transport ministry had postponed plans to sell former station sites owned by JNR during the asset "bubble" of the late 1980s, fearful of fuelling speculation in the property market. Land prices have since plummeted. Under the plan, JNR Settlement will be dissolved next year and disposable assets will be shifted to a new fund. Of the ¥28,300bn debt, more than ¥20,000bn is expected to be paid for by the taxpayer.

Malaysian trade surplus soars

Malaysia yesterday announced a big trade surplus for June after a steep drop in imports. The surplus, which rose to M\$574.1m (US\$220m) from M\$28.6m in May, is likely to allay investors' fears over the current account deficit.



Both imports and exports fell in June, with imports posting their biggest year-on-year drop in a decade by falling 11.6 per cent from their June 1995 level. For the first half this year, the total merchandise shortfall was M\$798.1m, against a deficit of M\$8.6bn for the same period in 1995. Malaysia's current account deficit is a source of concern to the markets. Economists expect Malaysia's merchandise trade deficit this year to shrink from last year's M\$3.2bn perhaps to below the government's prediction of M\$7.1bn. The crucial element behind this trend is the global slowdown in demand for electronics goods, which account for 18.8 per cent of Malaysia's exports and require imports of many components.

Economic woes may help chaebol leaders



Kim Woo-choong: permit to travel

Mr Kim Woo-choong, the Daewoo chairman, convicted for bribing former president Roh Tae-woo, was preparing to begin travelling today to China and Poland to oversee the company's projects as if it was business as usual.

Perhaps it is. Although legal restrictions would normally keep Mr Kim in Korea until any appeal against his sentence is completed, the government has given him and the other businessmen convicted this week special approval to go abroad.

That has raised expectations that the business leaders, who also include the heads of the Dongah, Jinro and Hanbo groups, will either be given a presidential pardon or receive a suspended jail sentence on appeal.

It is not hard to find a reason for the government's sudden change of heart. Officials need the co-operation of conglomerates such as Daewoo, Korea's fourth biggest industrial group, to get the economy out of trouble.

Mr Kim Woo-choong may be hoping that the country's faltering economy will keep him out of jail.

New evidence of economic woes appeared yesterday with the announcement that gross domestic product growth in the second quarter of 1996 was the slowest for three years at 8.7 per cent.

This has raised renewed concerns that economic growth for the year may slip below the official target of at least 7 per cent. Companies are cutting industrial investments because of sluggish exports of such important products as semiconductors, petrochemicals and steel.

There are other signs that the government in the last 24 hours has shifted from attacking big business to supporting it.

Tax authorities announced on Monday, after the court ruling against the businessmen, that they would conduct an investigation of companies involved in the bribery scandal. But officials yesterday suddenly suggested the investigation may be scaled back.

This week's events are an extreme example of the government's schizophrenic relations with the leading conglomerates, or chaebol.

For the last decade or so, national leaders have alternatively condemned the chaebol as greedy and too powerful or praised them as the saviours of the Korean economy.

Although the rapid growth of the chaebol was the result of generous state support, politicians have often criticised the chaebol because of the public, most of whom do not work for the conglomerates. The chaebol are regarded by them as huge economic monsters that lay waste to small businesses.

The bureaucrats who normally have their way in the heavily state-influenced economy are also worried the chaebol are becoming too big to control.

When the chaebol were implicated last year in the bribery scandal involving President Roh, the public took delight in witnessing chaebol leaders being humiliated by filing into the prosecutors' office for questioning.

But by early this year, President Kim Young-sam was wining and dining the chaebol leaders at a lavish dinner at the Blue House, the presidential mansion. He called for their support as the first signs of economic problems became apparent.

Then came another policy reversal in the spring as parliamentary elections approached, with the government promising to curb the chaebol's economic dominance.

But most observers believe that the tough prison sentences proposed by the Seoul district court were intended only to send a sharp warning to the chaebol leaders without risking an actual confrontation.

In this case, the bad economic news may be good news for the chaebol.

John Burton

Shenzhen reduces the cost of being a foreigner

By John Riddling in Hong Kong

From businessmen to back-packers, the cost of being foreign is set to fall in Shenzhen, the southern boom-town at the forefront of China's economic reforms.

Local high-rollers get the same rooms for HK\$887. Foreign visitors to Beijing's Forbidden City pay Yn65 (\$10.20); local residents pay Yn20.

The measures, provisionally scheduled to take effect at the start of next year, drew a welcome response in Hong Kong, long irritated by discriminatory pricing across the border. "This will be a boost for tourism," said Mrs Daisy Lal of China Travel. "It gives a bad image when tourists look around and see a price gap for themselves and for locals."

Foreign investors have flocked to the zone, investing more than \$9bn since 1979 and transforming the once sleepy farming community into an export powerhouse. More than 600 high-rise blocks (18 storeys or more) have sprung up to house the expanding local and foreign business community.

International businessmen, in particular, are aware that the move towards national treatment which underpins the latest policy proposal has its dark side. Tax breaks for lawyers and capital equipment were ended on April 1 this year, reducing incentives for foreign investors.

"Treatment in the Special Economic Zones is not as special as it was a few years ago," one western manufacturing executive with a plant in Shenzhen says.

For foreign businessmen in the economic zone, some consolation might be drawn from cut-price entrance to the Splendid China and Miral World, the local tourist attractions which include a not-so-Great Wall of China and a pint-size Eiffel Tower.

SOUTH AFRICAN RESERVE BANK
Monetary policy in a complex macroeconomic environment
Extracts from address by Dr C. L. Stals, Governor of the South African Reserve Bank, at the seventy-sixth Ordinary General Meeting of shareholders of the Bank on 27 August 1996

The excessive rate of increase in bank credit extended to the private sector... Monetary policy is consistently being pursued within the framework of the new Strategy for Growth, Employment and Redistribution... The balance of payments deficit at its present level is obviously not sustainable...

South stays its hand over aid

South Africa has called for a stronger show of patriotism, in a development which is certain to intensify concerns about the growth of a violent Chinese nationalism hostile towards the west.

Bid to revive
Middle East peace
talks runs into
Jerusalem row

Virgin in So
cars protest

1996 WORLD RALLY CHAMPIONSHIP



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NEWS: THE AMERICAS

Clinton heads for celebratory Democratic convention

By Jurek Martin in Chicago and Paul Waldmeir in Toledo

President Bill Clinton moved closer to the windy city of Chicago yesterday to claim the presidential nomination of his Democratic party...

passed through Ohio and Michigan. But it was his wife, Mrs Hillary Rodham Clinton, who was to lead the centre stage...

"There is a connection between what we do, or fail to do, in Washington and how you live here in Toledo." He noted that Jeep exports had doubled in the last four years...

He specifically cited the case of Christopher Reeve, the actor paralysed in a riding accident, whose opening night convention address from his wheelchair moved many delegates to tears.

But party managers have calculated, apparently correctly, that liberal Democrats are prepared to swallow their reservations over policy in the interests of re-electing Mr Clinton.

That latitude was also evident in Toledo. One speaker said the North American Free Trade Agreement with Mexico, pushed through by the administration in 1993, harmed US workers.

to operate in". But he then praised organised labour for rising to new challenges, as at the Jeep plant, and for lobbying so effectively for an increase in the federal minimum wage...

Hillary to step from shadow of Superman and Mrs Dole

By Jurek Martin on the task for a lower-profile First Lady

The little old lady from Dayton, Ohio, flying home from Maine via Chicago, would not say if she was a Democrat or a Republican, but could hardly contain herself on the subject of Hillary Rodham Clinton.

"It's just not fair what they're doing to her. She's done nothing to deserve it, she might not be perfect, but who is? It's just not fair. I respect any woman who finds herself in the same position. They'll do it for Mrs Dole, too."

Mr Brady, along with Sarah, his wife, has the 1994 handgun control act named after him. Mr Reeve, who made his name as Superman in the movies, wants more state aid and research for the severely disabled.

Mr Clinton, campaign aides said, would speak from his wheelchair on the podium from the floor, whereas Mrs Dole had moved in the opposite direction to give her chaty, talk-

show style address. Where the would-be First Lady extolled the virtues of her husband, the incumbent was expected to focus on what government could do to help society's less fortunate, especially its children.

That is consistent with the lower and less controversial profile Mrs Clinton has taken over much of the last two years following the failure of the national health care reform with which she was so closely associated.

The potential big negative remains her alleged complicity in Whitewater matters and in her presumed leading role in firing the White House travel office staff in 1993. But Republican hopes that she might be indicted perhaps for obstruction of justice, before the election are now more faint.

Fugitive financier jailed for 13 years in Cuba

By Pascal Fletcher in Havana

Mr Robert Vesco, the fugitive US-born financier, has been jailed for 13 years for economic crimes by Cuba, the island that sheltered him from US justice for 14 years.

learned about the plant-based TX drug invented by a US doctor from his friend Mr Donald Nixon Jr, nephew of the late President Nixon. Wary of the time, money and strings attached to the drug, Vesco fled to Cuba, where he set up a pharmaceutical export industry.

Set against the background of the tense political stand-off between the US and communist-ruled Cuba, Mr Vesco's last attempted scam involved an attempt to develop for sale abroad an alleged "miracle drug", known as TX, which its backers claimed could help cure cancer and AIDS.

According to the prosecution, Mr Vesco misled potential investors from Italy, Switzerland and Colombia into believing that Cuba was already producing the TX drug, persuading them to part with several hundred thousand dollars, some of which found its way into his Cuban bank account.

difficult to believe that Mr Vesco could have had such freedom to operate in Cuba's secretive biotechnology sector unless he enjoyed powerful high-level backing. Mr Vesco's trial testimony that he had never met Mr Fidel Castro did not completely dispel these questions.



Vesco arrives at court for his trial earlier this month

Hashimoto visit boosts Japan's links with Peru

By Sally Bowman in Lima

Mr Ryutaru Hashimoto made the first visit by a Japanese premier to Peru since 1982 yesterday, in a sign of the excellent relations that have developed since the election of Mr Alberto Fujimori in 1990.

Technical assistance, supply of agricultural and road-building equipment and support for school construction have been priorities. Japan's Eximbank is providing a \$155m loan for the San Gaban hydro-electric project in the department of Puno.

Peru has tried to build on its links with Japan and China (which both have large emigrant communities in Peru) by stressing its strategic geographical position as a "gateway" between Asia and Latin America.

(characteristics which Mr Fujimori effectively stressed in his 1990 election campaign), the Japanese traditionally maintained a low profile in Peru, building up important businesses but playing little part in public, far less political, life.



If the rainforests are being destroyed at the rate of thousands of acres a minute, how can planting just a handful of seedlings make a difference? A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can forest them to chop down trees.

Unless help is given, soil is exhausted very quickly by "slash and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years. This unnecessary destruction can be prevented by combining modern techniques with traditional practices...



FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

Mexico accuses leftist guerrillas of kidnappings

By Leslie Crawford in Mexico City

Mr Antonio Lozano, the Mexican attorney-general, yesterday accused leftist guerrilla groups of orchestrating the abduction of prominent businessmen such as Mr Mamoru Kanno, the Japanese Sanyo executive kidnapped this month in the border town of Tijuana.

This is the first time a senior law enforcement officer has linked guerrilla groups to the surge of kidnappings in Mexico. Mr Lozano said evidence pointed to the involvement of the Popular Revolutionary Army (EPR), a shadowy group which made its first public appearance in June in the hills of Guerrero, on Mexico's Pacific coast.

Mr Harp Heiá was released after three months in captivity for a ransom of close to \$50m. Mr Kanno was freed last week for a reported ransom of \$2m, paid the day before Mr Ryutaru Hashimoto, Japanese prime minister, arrived in Mexico on a state visit.

Mr Lozano is under intense pressure to find Mr Kanno's abductors in order to reassure the foreign business community. It is safe to say that the evidence linking the guerrilla group to the kidnappings was not conclusive, and that investigations were continuing.

ruling Institutional Revolutionary party, murdered while campaigning in Tijuana in March 1994. At the same time, Mr Lozano is attempting to purge the police force of corruption and tie to drug traffickers, and he is doing all this as the only member of the opposition National Action party to serve in President Ernesto Zedillo's cabinet.

In his fight against corruption, Mr Lozano earlier this month sacked 80 officers, a fifth of the federal police force, in the most sweeping purge of a top law enforcement agency ever carried out in Mexico.

US confidence at six-year high

AMERICAN NEWS DIGEST

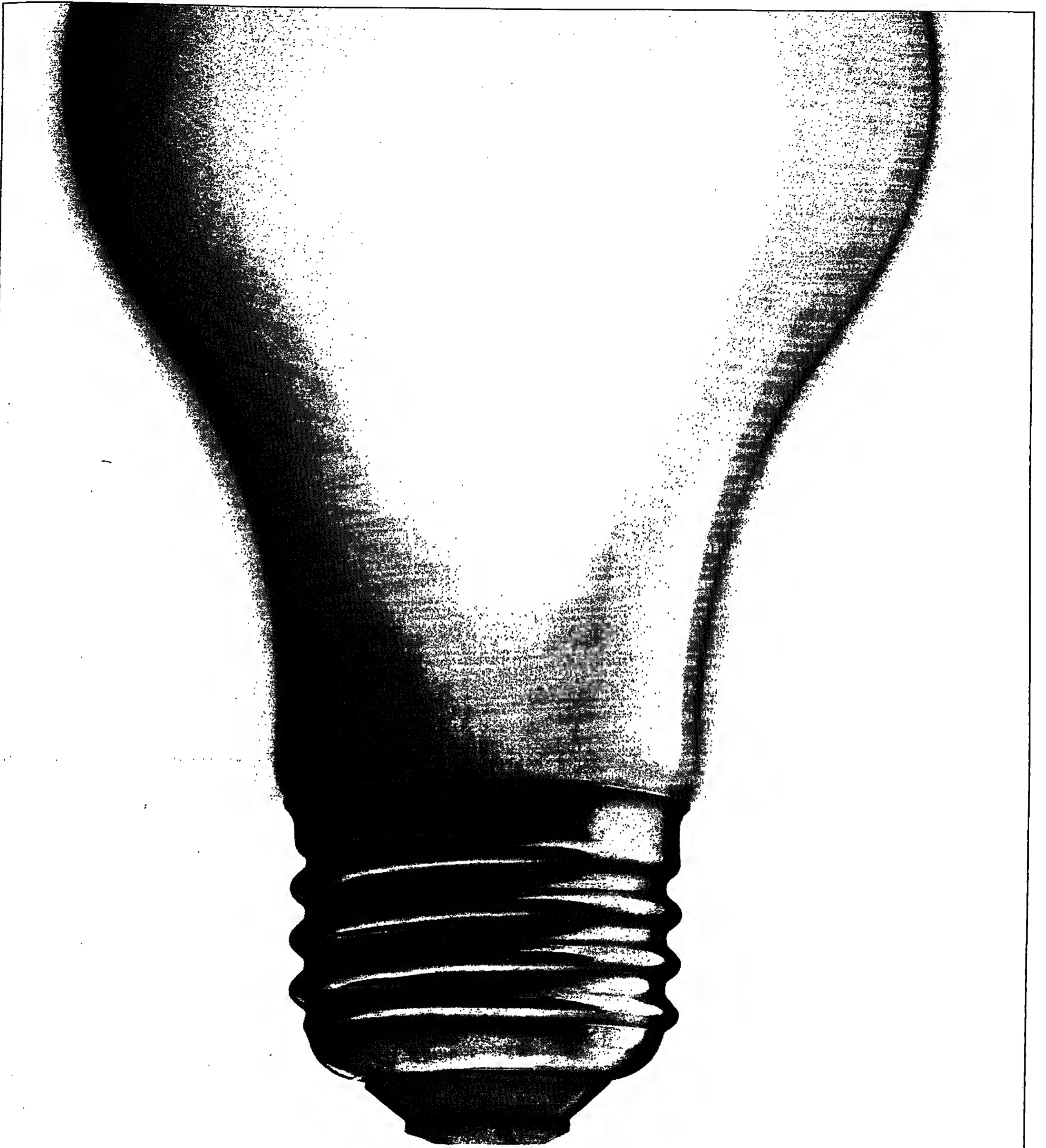
Consumer confidence in the US hit a six-year high in August. The US Conference Board's Confidence Index rose 2.4 points to a high of 108.4 this month. This sustained growth, which followed an increase of seven points in July, was a surprise to many American economists, who had expected the index to decline to about 105 points.

The rise jolted the US Treasury bond market, driving up the yield on the benchmark 30-year bond to just under the vital 7 per cent threshold. However, the bond market recovered swiftly, and the stock market was little affected. Optimism about current business conditions climbed two points, and consumer's expectations for the coming six months rose by three points.

BB rating for El Salvador. El Salvador has become the first Central American country to be awarded a credit rating by one of the bigger international rating agencies for more than two decades, signalling a possible revival of investor interest in a region wracked by civil war in the 1980s.

Argentine ex-dictator dies. Alejandro Lanusse, dictator of Argentina between 1971 and 1973, died on Monday aged 78. Lanusse took over the leadership of the country after five years of dictatorship.

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e convention
Mrs De
to visit boug
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confidenc
six-year

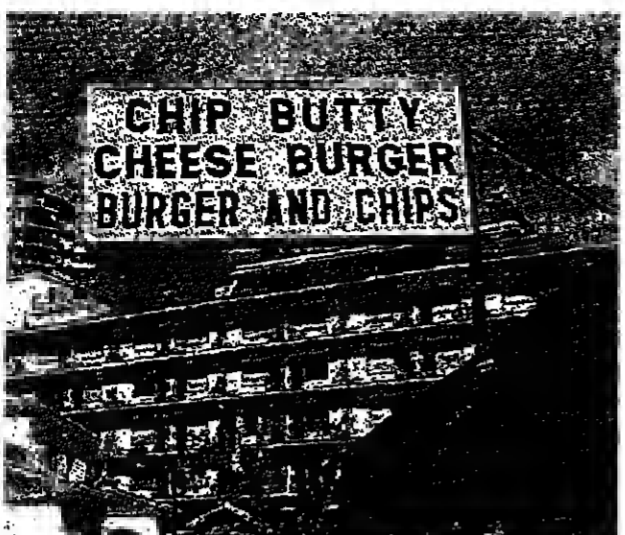
COMMENT & ANALYSIS

The Spanish body count

ON THE BEATEN TRACK

The high-prowed fishing boats are hauled up on the quiet beach. From the old castle on the rocky bluff, tropical gardens reach down towards the sea.

David White on Torremolinos, which measures its visitors by the amount of garbage they produce



Room with a view: the British are the main foreign visitors

This is Torremolinos, home to Bel Hans and Barry's English Pub, Pat Murphy's and Ye Olde Wool Sack. It is also August. By mid-morning on the beach the bodies go on for ever.

The population, which was recorded as 3,000 75 years ago, officially stands at 35,000. But there are reckoned to be between 90,000 and 100,000 here at any one time in winter and between 200,000 and 250,000 in August.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL. We are keen to encourage letters from readers around the world.

The enormous costs involved in changing UK telephone numbers

From Sir Bryan Carsberg. Sir, Lord Howe recollects (Letters, August 6) correctly that he wrote to me some years ago asking why Britain could not manage with fewer telephone numbers.

Sony's masterly retail skills

From Mr Michael Poyner. Sir, in the article about Sony's move into personal computers ("Sony's defence of the living room", August 26) Michio Nakanishi foresees a problem in Sony not being "used to dealing with the kinds of customer enquiries and demands that are part of life in the computer world".

Politics and management gimmicks

From Mr Erik K. Sites. Sir, Each Monday morning, I brace myself for Lucy Kellaway's counter-intuitive commentary on every conceivable facet of management.

US model can shed light on a united Europe

From Mr Henry Owen. In his column ("Resist the melting pot", August 16), Mr Michael Stürmer points out the cultural and other differences that exist among Europeans.

FT Conference, London, 12 & 13 December 1996

Conference Theme: In the last year pulp and paper prices have been spectacularly volatile, causing tremendous problems for both producers and consumers. World Pulp and Paper and Paper conference will provide a forum in which experts from the industry will analyse this and other tough questions.

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Alice Rawsthorn on the business consequences of a sore throat

When an Oasis dries up

Liam Gallagher, the unrelentingly laddish lead singer of the rock group, Oasis, has been cast as the tabloids' favourite anti-hero since his band shot to fame two years ago.

his career and has occasionally had to cancel concerts. Similarly, the Rolling Stones rescheduled some dates during a 1995 tour when Keith Richards, the lead guitarist, cut his finger.



Sound move: Liam Gallagher, singer with perfect pitch

Handwritten Arabic text: صديقا من الامل

سكنا من الامم

FINANCIAL TIMES
 Number One Southwark Bridge, London SE1 9HL
 Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
 Wednesday August 28 1996

Subsidies in Germany

Yesterday's hint by the German cabinet that it wants to de-escalate its confrontation with the European Commission over state aid to Volkswagen is a welcome move in a dispute which has been in serious danger of running out of control. But Bonn needs to move much further if a settlement is to be found which respects the principles of fair competition in the European Union and Brussels's right to enforce them.

The row turns on the decision by the eastern German state of Saxony to offer VW DM780m (€338m) in subsidies to develop two vehicle plants. The Commission has blocked payment of DM241m of the package, which it says violates EU state aid rules. Last month, Saxony paid DM51m of the disputed sum in defiance of the ban, which the state government is challenging in the European Court. Bonn is considering bringing a similar case, but yesterday deferred a decision in the apparent hope of negotiating a compromise.

Germany insists the aid is legal, arguing that EU laws entitle it to give exceptionally generous subsidies to eastern Länder. Brussels has until recently shown itself sensitive to the economic demands of reunification, by treating such aids relatively leniently. However, its vigorous objections to the support for VW appear to reflect its growing concern that Germany's largesse towards the east is exceeding economically reasonable bounds.

Troubling issue

The Commission is right to be worried. Federal tax breaks and subsidies to the eastern Länder are officially forecast to total more than DM15bn this year, or DM1,000 for each inhabitant. This is a huge sum, even allowing for the region's economic and industrial backwardness. There are also questions about whether the money is being properly spent. These were highlighted by the recent revelation that Bremer Vulkan, the bankrupt shipbuilder, used subsidies intended for the east to prop up yards in the west.

Responsibility for prisons

Yet again, a dubious episode involving the UK's prison service has raised the issue of the relationship between ministers and the new breed of executive agencies. The latest episode is last week's early release of prisoners because of a misinterpretation by the prison service of calculations for those serving consecutive sentences. This decision was rapidly reversed by Mr Michael Howard, the home secretary, but only after 80 or so prisoners had been released.

There are a number of unsatisfactory aspects to this episode. If the prison service's interpretation - based on legal advice from home office lawyers - was correct, then those 80 prisoners were correctly released, and hundreds more are being improperly held. If Mr Howard's restoration of the status quo is correct - as a commonsense reading of the law suggests - then 80 prisoners have been set free too soon.

That would be troubling enough. But it is only the latest of a series of fumbles between ministers and executive agencies. The prison service has proved the agency most vulnerable to such problems, but it is by no means the only one: last weekend, for example, Liberal Democrat MPs called for the resignation of the head of the Benefits Agency because of an alleged contradiction between an alleged letter from the agency and answers given to parliament by ministers.

The problem is usually cast in terms of the dividing line between the "operational" matters for which agencies are responsible and the "policy" matters which fall to ministers. Some critics of the agency system believe that no clear distinction can be drawn: others that ministers abuse the division by classifying all blunders as operational failures, and all successes as triumphs of policy.

Coercive power

Both sets of critics have a point. It is most telling in those areas, such as the postal system, which involve the coercive power of the state. As has been

Things are certainly much better in Bosnia in August 1996 than when I last went there in April 1994. Then, the journey from Mostar to Sarajevo took three days, including one spent trying to get on a United Nations relief flight at Split. When that failed, I had to fly to Zagreb, get a Croatian taxi through Hungary to the Serbian border, another to meet me there and take me to Belgrade, and a third through the Serb-held part of Bosnia to the outskirts of Sarajevo, where I hitched lifts in a series of UN vehicles to reach the city centre.

Once there, I found myself in a narrow lane, flanked by a Serb blockade, imposed in retaliation for the first Nato air strikes on Serb forces besieging Gorazde. The Holiday Inn, where the international press corps was holed up, was a bleak and gloomy place, badly damaged by shells, with only intermittent electricity and running water. The streets were almost empty, as any pedestrian or unarmoured vehicle would be a target for snipers. Needless to say, conditions for Sarajevo's resident population were far worse, and even they were safer and better fed than people in many other parts of the country.

Now, Mostar is an easy day trip from Sarajevo by road, the worst hazard being a 15-minute wait where a broken bridge has to be circumvented by a one-way dirt track running up into a side valley. Similar conditions prevail throughout the country.

Freedom of movement prevails for foreign visitors, and nationally for Bosnians. But it is not considered wise to cross the "inter-entity boundary lines" with a local number plate. Bosnian or Croatian plates would be an almost certain target for violence if spotted in "Republika Srpska", the Bosnian Serbian "entity". And no one driving with Serb or Yugoslav plates would feel really safe on the territory of the Moslem-Croat Federation.

Sarajevo itself bustles with life and traffic. The Holiday Inn has been repaired. One can breakfast on the balcony, or saunter into town for an evening meal - pleasures only dreamed of in 1994. Moreover, the hotel is full, and journalists are only a small part of the clientele. Muscular young Americans, here to "equip and train" the Bosnian army, rub shoulders - or compete for rooms - with Nobel prizewinners attending a Unesco-sponsored conference organised jointly by the Bosnian and Croatian Academies of Sciences.

The spending power of expatriate do-gooders is clearly the locomotive of economic recovery. Every building in the town centre seems to house one or more of the organisations - governmental, inter-governmental, non-governmental - which have rushed to join in the great enterprise of rebuilding Bosnia. Their tasks range from organising next month's elections to painting the walls of orphanages.

Several are engaged mainly in criticising each other's work, or squabbling viciously over who does what. Bosnians themselves react with a mixture of gratitude, bewilderment, and cynical calculation of how best to exploit these squabbles to further their own private or party interests.

Bosnia is still legally a sovereign state with its own government. Under the Dayton peace agreement, however, that state is being remodelled under a kind of international protectorate, and the elections to be held on September 14 constitute a crucial stage in the remodelling.

Formally, Bosnians are going to elect the authorities of the two "entities" with a light structure of national government sitting awkwardly on top. Things are further complicated by the fact that one of the entities is itself a federation, run by an authority in which Moslems and Croats will have carefully weighted shares of power. However, much of the role of government will be devolved to ethnically weighted "cantons".

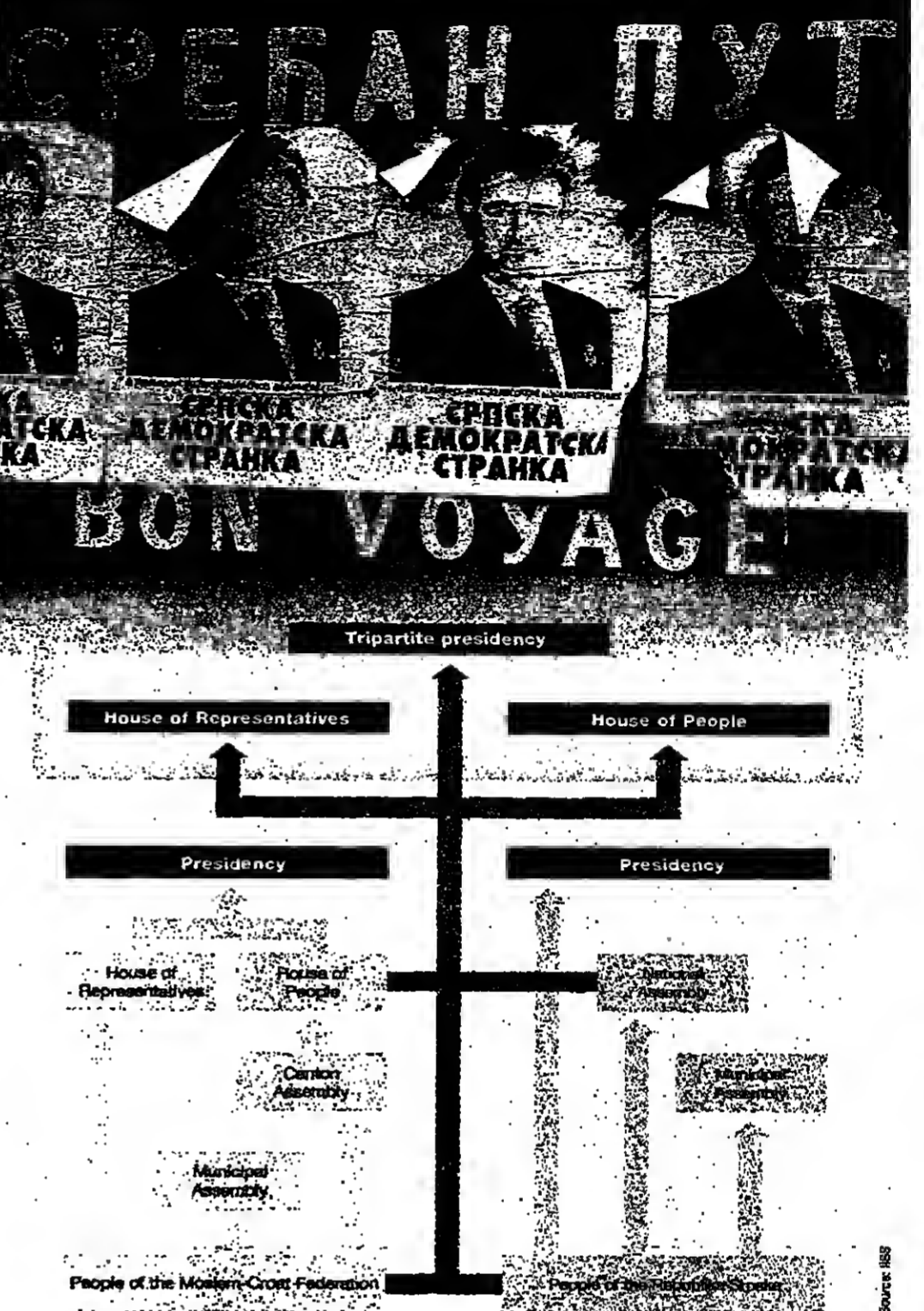
That is in theory. In practice the federation, proclaimed in 1994 as part of an agreement to end Moslem-Croat fighting, does not

yet exist, and many doubt if it ever will. At best the Moslems and Croats form an uneasy alliance against the Serbs, in areas of Croat predominance - mainly in the west, but including the Orasje pocket in the north - the Bosnian fleur-de-lys flag is nowhere to be seen.

Instead one sees everywhere the chequered shield of the puppet Croat state of Herceg-Bosna, even on police uniforms. It is also behind the desk of Mr Ivan Prskalo, the new mayor of Mostar - a city theoretically united under EU administration but in practice split between Croat west and Moslem east. Mr Prskalo, an ostensibly non-political Croat who formerly ran a public utility company, was unanimously chosen earlier this month - after protracted negotiations - by the new city council.

Sir Martin Garrod, the EU special envoy in Mostar, is pledged to "get rid of the climate of fear and intimidation which exists in Mostar today" before handing over to the city council on December 31. But his chances of succeeding seem slender.

Bosnia: a complicated new structure



How the government will be made up

Tudjman and his Bosnian counterpart, Mr Alija Izetbegovic, Herceg-Bosna is supposed to dissolve itself by the end of this week. At the same time, the Bosnian government is to hand over some of its powers to the federation.

There is little sign of either of these happening, but last week the HDZ and Mr Izetbegovic's Party of Democratic Action also reached a "gentlemen's agreement" guaranteeing freedom of expression and association - tacitly admitting the lack of such freedom in their territories.

On the Bosnian Serb side things are simpler, since the Serb Democratic party has control of the whole territory. It seems, if anything, to have been strengthened rather than weakened by the forced abdication of Mr Radovan Karadzic, his former leader who has been indicted for alleged war crimes. The Serbs do not have to bother with cantons, and will elect their president directly - almost certainly Mrs Biljana Plavsic, Mr Karadzic's fervent admirer and designated heir.

The elections are being run by the Organisation for Security and Co-operation in Europe, whose head of mission, Mr Robert Frowick, yesterday announced the postponement of local elections, due to be held on the same day, because the Serbian authorities abused the registration system to ensure Serb majorities in formerly Moslem towns.

The organisation has established offices in all parts of Bosnia and will employ hundreds of expatriate election supervisors. They in turn will be observed by hundreds of monitors, some reporting to their national governments, some to the organisation's chairman, who is Mr Flavio Cotti, the Swiss foreign minister.

OBSERVER

Read all about it

Wall Street dealers searching for intelligence regarding the Federal Reserve's current state of thinking will be disappointed by the latest publication from the Federal Reserve Bank of New York. But then The Story of Monetary Policy, out today, is not aimed at them.

In a series that started in the late 1980s, and includes such marvelously dated soundings numbers as A Person's Story, explaining the virtues of thrift for the individual and the economy, the New York Fed tries to explain some of the basic principles of banking and the economy to high school and college kids - via cartoons.

The latest publication errs on the informative side of rick-ticking - its authority only fleetingly questioned by the alarmingly fresh-faced Fed governor pictured setting out on his 14-year-term. Nor is it likely to fuel any inflationary tendencies in the economy, priced as it is at 25 cents each, after the initial 36 cents which are free.

Observer's only real reservation is the coda to this tale. In common with several fine novels, it would seem that the author of The Story of Monetary Policy was struck for a

good ending. "Making monetary policy is a complicated job, but it's a job that's necessary in order for our economy to enjoy good growth along with stable prices". Must try harder?

Tiger's teeth
 How very noble of Japan's foreign ministry to foot the bill to ferry delegates from 45 countries and a clutch of United Nations agencies all the way to Tokyo this week for a discussion about how Africa can catch up with East Asia and become the "tiger economy" of the 21st century.

The big guns had been rolled out. Hisashi Owada, father of Crown Princess Masako and Japan's ambassador to the UN, chaired yesterday's meeting. After a day's jolly in Kyoto, the diplomats return to meet foreign minister Yukihiko Ikeda.

None of the delegates are actually based in Africa, mark you, but tend to be the permanent UN representatives of those countries - and of other places such as Indonesia, Cambodia, Laos and Malta.

No connection surely, with the fact that Japan is competing next month with India for one of Asia's seats on the UN security council? The votes of those gathered in Tokyo would certainly see it safely in the chair - and India was notably

absent from the party. Only trouble was that no one in the foreign ministry had thought to put an African representative on the list of keynote speakers. At the seventh hour Cameroon's ambassador to the UN, Paul Bamela, took it upon himself to step up to the table. "Africa is not poor because of a lack of development agenda," he thundered. "In fact we suffer from inflation of development agenda, each day brings a new contribution." He also took the opportunity to chide his hosts for failing to think of appointing an African speaker. The lobbying's obviously not over yet.

Grubbing around
 After lying low for the past few years, Quebec's language police are again on the prowl for naughty merchants disobeying la belle province's French-first language law. Their target this time - kosher food. Although Montreal's Jewish community is overwhelmingly English-speaking, the Office de la Langue Française disapproves of New York imported kosher food lacking French labels.

This is passionate stuff: several stores were forced to remove offending products from their shelves last Passover. Jewish groups threatened to

assert their human rights in court. An uneasy truce has now been reached. The authorities will grant an exemption from the law, but only for 40 days before and 20 days after Passover. Neither side is happy. The Canadian Jewish Congress is particularly disgruntled. It's worried it will be cast in the role of language cops' inspectorate for the other 305 days.

Cop an eyeful
 It's such a chore, battling with violent student protesters. But worse is to come for South Korea's police. Now they are being asked to crack down on - if that's the right expression - microskirts and other sexy clothes worn by young Korean women. The National Police Agency says "trisque" dress is responsible for a rise in rape and other sexual crimes. Women revealing "too much leg" or wearing clothes that do not properly cover the breasts or other "intimate" areas will be warned with a citation. Those caught behaving in "an overly affectionate manner in public" will be fined.

At least South Korea's finest have some essential expertise - many are facing allegations of sexual harassment of the 1,500 female students they arrested at a demonstration at Seoul's Yonsei University last week.

Financial Times

100 years ago

Riot in Constantinople
 Constantinople, 26th August
 At half past one this afternoon a band of about forty men armed with revolvers and bombs forced their way into the Ottoman Bank, killing a number of gendarmes guarding the building, and then shut the doors. The invaders posted themselves at the windows and on the roof of the bank and thence began firing their revolvers at the police. The latter returned the fire and a regular fusillade was kept up on both sides. There seems no doubt that the rioting was the work of the Hittchakist Armenians.

50 years ago

London Fur Sales
 The first of several consignments of Russian furs has arrived in London on the Soviet vessel Sestroretsk, the unloading of which has been nearly completed. These furs are arriving for the auction to be held in the Beaver Hall on 1st October and have been shipped under the agreement signed between the Russian Government and Messrs. Anning Chadwick and Kiver, Ltd. (fur auctioneers) whereby the latter were given sole brokerage rights. In effect, this transferred the world market for Russian furs from Leningrad to London.



UK row erupts over fate of Iraqi hijackers

By Victor Tapner and William Lewis at Stansted and Jimmy Burns in London

A political row broke out yesterday over the fate of Iraqi hijackers of a Sudanese airliner who surrendered to police at London's Stansted Airport after ending the 199 passengers and crew.

Mr John Burrow, chief constable of Essex, said the suspected hijackers had requested the presence of Mr Sadiq Sada, a representative of the Iraqi Community Association, a London-based exile group.

ASIO en route from Khartoum to Amman in Jordan. After the pilot was ordered to divert to Larnaca, Cyprus, the aircraft was refuelled and the hijackers demanded to be flown to the UK where they said they hoped to be granted political asylum.

Bosnian municipal elections postponed

By Laura Silber in Belgrade

Bosnian municipal elections were postponed yesterday because of alleged irregularities by Serb authorities in registering voters. The elections had been planned to coincide with the first national poll since the country's civil war.

The national poll is seen as a crucial test of prospects for building joint governing institutions aimed at unifying Bosnia's two halves - the Bosnian Serb entity and the Muslim-Croat Federation.

Russian business attacks plan to tax bank accounts

By Chrysois Freland in Moscow

Russia's business community yesterday accused the Kremlin of everything from "stupidity" to "Marxism" over proposals to tax all personal bank deposits and withdrawals and tighten restrictions on businesses' cash withdrawals.

appearance to try to calm public concerns. Russian and western entrepreneurs and politicians yesterday said the decrees were a reversion to the crude Soviet style of economic management and could drive businesses further underground into the black economy.

and withdrawal were absurd, said Mr Andrei Potseulin, a partner at Accounting Services, a Russian accountancy firm. "It means that you could pay taxes on the same money three times: once when you earn it, a second time when you deposit it in the bank, and a third time when you withdraw it."

US nappy producers go head-to-head

Continued from Page 1

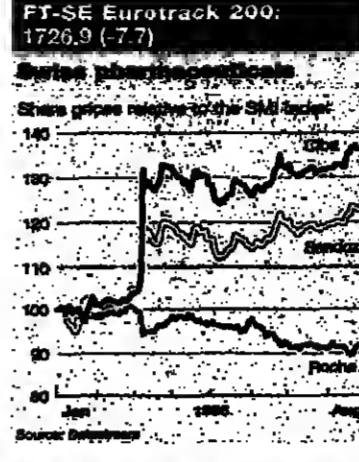
move for us. It doubles our market share in France, makes us number two in diapers in Europe and gives us the opportunity to expand market share further.

entirely struggled in France. SCA, Europe's biggest producer of own-label nappies for retailers, said it could no longer support the losses it suffered in the branded sector.

production base in Britain. SCA also acquired rights to the Kleenex toilet paper and kitchen paper brands in the UK and the Scotties and Handy Andy brands, making it Europe's second largest tissue products producer.

THE LEX COLUMN Lifeline for Lloyd's

Lloyd's appears to have secured itself a future. The successful US court appeal yesterday should allow the passage of its reconstruction plan later this week, closing the chapter on five miserable years and \$3bn (\$12.4bn) losses.



defensible, but not both. The real joke, however, is the performance criteria attached to the options: they can be exercised as long as GEC's share price beats the FT-SE 100 average by 10 per cent in any six months within a specified three-year time period.

Longer term, there are grounds for optimism. For all the bad publicity, the Lloyd's brand remains a powerful asset. Many Names are justifiably bitter, but policyholders have had a happier time. Lloyd's has never defaulted on a pay-out, and its good name still generates quality business.

its 15 per cent target in the medium term, the deal will enhance shareholder value - something which cannot be said of Munich Re's purchase.

Prudential

The Prudential was apparently hoping to lure trade buyers out of the woodwork when it said it planned to float its M&G Re subsidiary. The play has worked well: the £1.75bn (\$2.71bn) sale price is around 30 per cent more than it could have hoped for from a flotation, moreover, it gets all the money upfront rather than in tranches.

Swiss Re

Swiss Re's acquisition of M&G Re looks altogether a better deal for shareholders than this month's purchase of American Re by Munich Re. Both deals are driven by the same industrial logic: sheer size allows risk to be spread more effectively, theoretically enabling a company to earn a better return for the same level of risk.

Mr Simpson's package presents shareholders with a dilemma. At next week's annual meeting they will have no opportunity to vote against his contract - only a chance to vote on his appointment to the board. Many shareholders believe he is the man to put some pep into GEC's share price and will not want to risk losing him. If he succeeds, the gains could be measured in billions of pounds. But if investors let this pass, the implicit message is that powerful companies can ride roughshod over painstakingly established corporate governance principles.

Asda

Only a year ago, brokers were arguing that if Asda's chief executive Mr Andrew Norman left, the food retailer's share would plummet. Mr Norman might therefore feel insulted by the modest decline in Asda's shares yesterday - the bulk of the fall was due to the shares going ex-dividend - after he announced a scaling down of his involvement in the company when he becomes chairman.

GEC

The contract GEC is giving Mr George Simpson, its incoming chief executive, makes a mockery of the whole corporate governance debate. Mr Simpson is being granted both a big salary - some £1.2m including pension contributions - as well as a huge wedge of shares and share options. One or other would be

Web of protection

Most refugees who registered to vote in the disputed Serb-held towns had lived in territory now belonging to the Muslim-Croat Federation. Bosnian Serb leaders and their nationalist counterparts elsewhere in former Yugoslavia see the Dayton plan as enforcing the partition carved out over four years of war, ignoring its provisions for the return of more than 2m displaced people.

FT WEATHER GUIDE Europe today. Most of Europe will have rain and wind. Rain will arrive from the east in the Benelux by the end of the afternoon. Includes a weather map and a table of today's temperatures for various cities.

OF COURSE YOU NEED AN INVESTMENT BANK WITH KEEN BRAINS TO COME UP WITH THE ANSWERS BUT YOU ALSO NEED ONE WITH THE FINANCIAL STRENGTH TO PUT ITS MONEY WHERE ITS ADVICE IS. INVESTMENT BANKING FROM A TO Z. A DIVISION OF BARCLAYS BANK PLC.

مكتبة الامم المتحدة

COMPANIES AND FINANCE: EUROPE

Market trading lifts Handelsbanken

By Greg Melvor in Stockholm

Higher net commission income drove a 17 per cent increase in interim profits at Handelsbanken, one of Sweden's leading banks.

but Handelsbanken's most-traded A shares eased SKr1.5 to close at SKr1.40. Mr Arne Martensson, chief executive, described the competitive climate as fierce.

Handelsbanken has already expanded into Norway and Finland, and Mr Martensson is keen to develop operations in Denmark.

equity climbed from 15.2 per cent to 18.4 per cent, and earnings per share rose from SKr7.52 to SKr9.70.

MAN lifts pre-tax profit 21% for year

By Sarah Althaus in Frankfurt

MAN, the German truck and printing machine manufacturer, yesterday posted a 21 per cent rise in provisional pre-tax profits for the year ended June 30.

Continental posts two-fold increase

Continental, the German tyre company, doubled profits in the first half of this year and is confident of achieving marked rises in profitability in the second half and in 1997.

Swiss Re reconnects former offshoot

The purchase of M&G Re makes the reinsurer the world leader in health and life business

Swiss Re's purchase of Mercantile & General Re is a trip down memory lane for the world's second-biggest reinsurer.

we were not the last to start," says Mr Coomber, commenting on the busiest period for takeovers in the history of the reinsurance industry.

book value, it believes that by putting the two businesses together it can save money in areas such as investment management, and the need for extra reinsurance will be reduced.



John Coomber, denies Swiss Re was under pressure

The deal also strengthens Swiss Re's position in the US reinsurance market, where it was in danger of falling behind after the recent spate of mergers.

Swiss Re is the last of the big three Swiss reinsurers to retain a Triple A rating from the credit rating agencies.

Swiss Re has underlined the importance of its latest acquisition by taking the unusual step of transferring Mr Coomber, a member of its executive management, to London to run the enlarged operation.

but London will be the centre of Swiss Re's enlarged "life and health division", and will account for around a quarter of Swiss Re's reinsurance workforce.

William Hall

Daimler-Benz weighs up managerial fat

The German automotive group is looking to reform its internal structure

After a year of unprecedented upheaval, marked by the sale of loss-making divisions and heavy job cuts, Mr Jürgen Schrempp, chairman of Daimler-Benz, is plotting the next phase of his internal revolution.

frequently cited GE, and its focus on high financial returns, as an example for Daimler-Benz to follow.

indications are that the Daimler-Benz board is about to discuss internal structures in earnest. Whether this will lead to a formal abandonment of the units or simply a reshuffle of management responsibilities is not yet decided.

unions, who fear Daimler-Benz is about to embrace capitalism in its rawest form. Daimler's highly controversial job-cutting programme last year did not help.

Wolfgang Münchau

Air France Europe chief quits

Mr Jean-Pierre Courcol yesterday announced his resignation as managing director of Air France Europe.

AssiDomän warns on prices

AssiDomän, the Swedish forestry products group, warned yesterday of a fresh downturn in wood pulp prices after several months of gradual increases.

VNU ahead at operating level VNU, the Dutch publishing and information services group, yesterday announced first-half net earnings down from Fl 286m to Fl 143m (\$86.6m).

Parmalat issue successful

A L464bn (\$304.96m) capital raising operation by Parmalat, the Italian dairy products group, was successfully closed yesterday.

East Asiatic turnover up 11%

Denmark's East Asiatic Company, which has extensive trading interests in East Asia, reported an 11 per cent increase in turnover from Dkr10.35bn to Dkr11.21bn (\$1.96bn) in the half year to June 30.

Advertisement for Philips Electronics N.V. Commercial Paper Programme, DM 500,000,000. Arranger: Dresdner Bank - Kleinwort Benson.

Advertisement for Philips Electronics N.V. 5 5/8% Bearer Bonds of 1996/2001, DM 300,000,000. Issue Price: 101.85%. Arranger: Dresdner Bank - Kleinwort Benson.

Handwritten Arabic text: صكيات الامم

COMPANIES AND FINANCE: THE AMERICAS

صبيانا من الامل

AccuStaff eyes Europe after merger

By John Authers in New York
AccuStaff, which will become the fourth largest US recruitment company...

First of a new breed of telecoms operator

MFS WorldCom is set to spark an industry shake-out

The acquisition of MFS, a fast-growing US group specialising in telecommunications for business customers...

Canadian banks beat expectations

By Bernard Simon in Toronto
Bank of Montreal and Bank of Nova Scotia kicked off the Canadian banks' reporting season yesterday...



Matthew Barrett recent diversification behind the advance

Argentine gas group raises \$255m

By Richard Lapper, Capital Markets Editor
Transportadora de Gas del Norte (TGN), Argentina's privatised gas company, has raised \$255m...

Computer Associates in Internet move

By Paul Taylor in New Orleans
Computer Associates, the US-based business software group, has set up a new Internet unit called NetHaven...

Resignation hits Rogers shares

By Bernard Simon
Rogers harboured ambitions to become a diversified multimedia conglomerate...

Table with columns for stock prices and company names, including various financial metrics.

Table with columns for stock prices and company names, including various financial metrics.

DANISCO A/S notice of meeting, LASMO (USA) Inc. 7.50% Guaranteed Notes Due June 30, 2006, NationsBanc Capital Markets, Inc., J.P. Morgan & Co., UBS Securities

U.S. \$1,434,690,000 Republic of Ecuador Discount Bonds due 2025

COMPANIES AND FINANCE: UK

Disposal in line with strategy of focusing on core activity
Caradon to sell 15 units

By Simon London

Caradon, the UK building materials group, has agreed outline terms for the disposal of 15 engineering and distribution subsidiaries for £190m (\$296m).

The move is in line with its strategy of concentrating on its core building products business. The buyer is believed to be CINVEN, the former British Coal venture capital company bought out by its management last October.

The deal would be the latest in a line of high profile transactions by CINVEN, which was an unsuccessful bidder Westminster Press, the regional newspaper group being sold by Pearson, the media group and publisher of the Financial Times.

The companies being sold by Caradon had a combined turnover of £264m in 1995 and made pre-tax profits of £21m, after an adjustment for central costs and pension costs.

Norman goes part-time as Asda chairman

By Christopher Price

Asda surprised the City yesterday by announcing that Mr Archie Norman, the chief executive credited with turning around the UK's fourth biggest supermarket group, is to take the part-time post of chairman.

options for his long-term future. "Politics is obviously one of the things I shall be giving some thought to." He has been on the Conservative Party's approved list of potential candidates for 15 years and Tory central office confirmed yesterday that vacancies still existed.



Allen Leighton: revamped the stores with Archie Norman

The move immediately prompted speculation over his long-term future. Mr Norman, 42, has made no secret of his interest in pursuing a political career and has close ties with the Conservative Party.

Mr Norman was more keen to underline his continuing commitment to Asda. "I shall be putting in as much time as it takes to create an exceptional business. Going forward is going to be a long hard slog."

from 23p to yesterday's close of 115.6p, down 4p on the day. Mr Norman has been well paid for his services. Last year, he received £3.89m in pay and options.

At the beginning, like at Asda. But the changes we are making today are the right ones for the next stage of the group's development." Mr Leighton insisted: "Archie will still have a strong role to play in the business." His new post would enable him to concentrate on more strategic issues, he added.

Buy-back possible at Hanson's US arm

By Tim Burt

Millennium Chemicals, the US chemicals arm of Hanson, yesterday raised the prospect of a share buy-back following its demerger from the British industrial conglomerate.

Flat reaction to the rise of Bass Brewers

By Christopher Price

There was a muted response from the drinks industry yesterday to the merger of the brewing interests of Bass and Carlsberg-Tetley, announced at the weekend.

Belhaven directors will decide this week whether to raise their concerns with the OFT. None of the other companies intend to complain. Bass is paying Allied Domecq £200m (\$310m) for its half-share in Carlsberg-Tetley. The Danish brewer will pay £20m for a 20 per cent stake in Bass Brewers.

Table with columns: Results, Turnover (£m), Pre-tax profit (£m), EPS (p), Current dividend (p), Date of payment, Dividends corresponding dividend, Total for year, Total last year. Rows include Aspec (BSR), Aspec Finance, Debutel, etc.

GENERAL MEETING OF BONDHOLDERS Notice of Meeting. For the purpose of the alliance with Crédit Communal de Belgique, Crédit local de France will transfer to its subsidiary Local Finance all of its assets and liabilities...

RAND MINES LIMITED Proposed final unbundling of the Company in terms of section 60 of the Income Tax Act, 1993, ("the Tax Act") ("the unbundling"), by way of a distribution in specie and a reduction of share capital in terms of section 84 of the Companies Act, 1973, as amended ("the Companies Act").

INTERNATIONAL CAPITAL MARKETS

Bearish sentiment hits high yielders

By Samer Iskander in London and Lisa Bransten in New York

Two bearish sessions for US Treasuries, a weaker dollar on the foreign exchange market, and supply of \$31.2bn yesterday and today weighed on European bonds, hitting high-yielders most.

In the cash market, the 10-year yield spread over bunds widened by 4 basis points to 321 points. Observers remain bearish on the near future. "Conditions are going to remain more favourable for players geared up for divergence trades," said Baver Stearns economists.

German bonds also closed lower. Life's September bond future settled at 97.32, down 0.14, but off its intraday low of 97.08. Analysts said bunds could outperform other European bonds in coming weeks, benefiting from their safe-haven status ahead of the budget season.

US Treasury prices were stronger, but off their session highs by midday as traders awaited the results of the afternoon auction of two-year notes.

The Bank of England released details of the gilt conversion offer announced on August 12. Holders of 19% per cent Treasury bills due 2004-08 will be able to convert them into 8% per cent gilts due 2005 at £137.50 nominal of 2004-08 bonds.

Surge in issuance by developing countries

By Samer Iskander

Low yields on traditional investments and the availability of ample liquidity have favoured the issuance of emerging market debt in the second quarter of 1996, according to the Bank for International Settlements.

Strong demand brings sharp drop in margins

By Conner Middelmann and Richard Lapper

Activity in the syndicated loan market has begun to pick up, with borrowers and bankers returning from their summer holidays.

Raising even more eyebrows was a \$100m term loan for Israeli telecommunications company Bezeq, which is considered so aggressively priced that several banks have declined to take part.

Tokyo Electric Power plugs into French francs

By Conner Middelmann

Tokyo Electric Power made its first foray into the French franc sector yesterday, the first of several Japanese borrowers expected to tap the eurobond sector in the coming days.

Moreover, Japan Finance Corporation for Small Business, a government-guaranteed borrower, is set to launch a DM350m three-year transaction via joint leads Bank of Tokyo-Mitsubishi and Deutsche Morgan Grenfell.

An official at lead manager Banque Paribas said most of the bonds were placed with institutions in continental Europe, but added that he expects much of the paper to flow into retail accounts eventually.

International investors but when an increasing retail bid caused the spread to tighten, institutions took profits and now most of it is held by retail investors.

But currently trades between 15 and 20 basis points through that benchmark, he said. Elsewhere, the Kingdom of Denmark launched \$150m of 5.45 per cent two-year bonds via joint book-runners Kankaku Europe and DEB International, aimed at Japanese retail investors.

INTERNATIONAL BONDS

Its large FF4bn offering reopened the French franc 10-year sector after the summer lull, and saw healthy buying from domestic investors, notably life insurance companies, said an official at lead manager Banque Paribas.

Moreover, Japan Finance Corporation for Small Business, a government-guaranteed borrower, is set to launch a DM350m three-year transaction via joint leads Bank of Tokyo-Mitsubishi and Deutsche Morgan Grenfell.

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WORLD BOND PRICES

Table with columns: Country, Coupon, Red, Price, Day's change, Yield, Week ago, Month ago. Includes Australia, Austria, Belgium, Canada, Denmark, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, ECU (French Govt).

Table with columns: Country, Coupon, Price, Day's change, Yield, Week ago, Month ago. Includes Australia, Austria, Belgium, Canada, Denmark, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, ECU (French Govt).

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US INTEREST RATES

Table with columns: Rate, One month, Two month, Three month, Six month, One year, Two year, Three year, Five year, Ten year, Thirty year.

Table with columns: Rate, One month, Two month, Three month, Six month, One year, Two year, Three year, Five year, Ten year, Thirty year.

Table with columns: Rate, One month, Two month, Three month, Six month, One year, Two year, Three year, Five year, Ten year, Thirty year.

Table with columns: Rate, One month, Two month, Three month, Six month, One year, Two year, Three year, Five year, Ten year, Thirty year.

BOND FUTURES AND OPTIONS

Table with columns: Instrument, Open, Settle, Change, High, Low, Est. Vol., Open Int. Includes National French Bond Futures, Long Term French Bond Options, National German Bond Futures.

Table with columns: Instrument, Open, Settle, Change, High, Low, Est. Vol., Open Int. Includes National French Bond Futures, Long Term French Bond Options, National German Bond Futures.

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UK GILTS PRICES

Table with columns: Issue, Bid, Offer, Price, Yield, Duration, Conv. Yield. Includes Treasury Bills, Treasury Notes, Treasury Bonds, Gilt Edged Securities.

Table with columns: Issue, Bid, Offer, Price, Yield, Duration, Conv. Yield. Includes Treasury Bills, Treasury Notes, Treasury Bonds, Gilt Edged Securities.

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CURRENCIES AND MONEY

MARKETS REVIEW

Dollar and D-Mark remain calm, despite talk

By Richard Adams

Japan's tankan, its quarterly index of economic data. Meanwhile, the D-Mark's value was expected to have received a boost following another round of quarterly...

The lira fell to L1.023 against the D-Mark, down from L1.022, while the franc lost half a centime, to end at FF2.421 from FF2.416.



Japan's tankan tightening. More Japanese economic data will be released over the next two days, including July retail sales tomorrow...

French interest rate futures fell back yesterday, following intensified doubts about France's ability to cut its budget deficit in order to qualify for ERM.

The worries came on the back of concerns that France's second quarter GDP report, to be released next week, will show underlying economic weakness.

The September national and Pibor contracts closed near their lows. The September national contract settled at 123.12, two ticks higher than the closing price.

The franc fell as low as the D-Mark's, before recovering to FF2.421. Further worries for the franc came when France's largest labour union, the moderate Confederation Generale du Travail (CGTD), forecast "tension and conflict."

Ms Nicole Notat, the CGTD leader, told Le Monde that people were increasingly restless in the face of rising unemployment.

In the run-up to the 1997 budget to be presented in September, Ms Notat said the most contentious aspects was the shedding of 7,000 civil service jobs.

The Bank of Finland yesterday said it was lowering its base rate to 4 per cent from 4.50 per cent from September 16.

Other currencies: The dollar rose slightly against the pound and the Swiss franc, while the yen fell against the dollar.

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WORLD INTEREST RATES

Table with columns: Country, Term, Rate, etc. Includes sections for Money Rates and Euro Currency Interest Rates.

LIBOR FT London Interbank Floating Rate, US Dollar CDs, etc.

SPOT GOLD FORWARD AGAINST THE POUND

Table of gold spot and forward prices against the pound for various countries and terms.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of dollar spot and forward prices against the dollar for various countries and terms.

Other Currencies

Table listing exchange rates for other major currencies like the Swiss franc, yen, etc.

THREE MONTH EURO/FRANCO FUTURES

Table showing futures prices for three-month Euro/franco contracts.

THREE MONTH EURO/DOLLAR FUTURES

Table showing futures prices for three-month Euro/dollar contracts.

THREE MONTH EURO/GERMAN MARK FUTURES

Table showing futures prices for three-month Euro/german mark contracts.

THREE MONTH EURO/JAPANESE YEN FUTURES

Table showing futures prices for three-month Euro/japanese yen contracts.

THREE MONTH EURO/NEW ZEALAND DOLLAR FUTURES

Table showing futures prices for three-month Euro/new Zealand dollar contracts.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table of exchange rates for various currencies against the pound and dollar.

D-MARK FUTURES (MM) DM 125,000 per DM

Table of D-mark futures prices.

SWISS FRANC FUTURES (MM) Sfr 125,000 per Sfr

Table of Swiss franc futures prices.

UK INTEREST RATES

LONDON MONEY RATES

Table of London money rates for various terms.

EMTS EUROPEAN CURRENCY UNIT RATES

Table of EMTS currency unit rates.

STERLING FUTURES (MM) £25,000 per £

Table of sterling futures prices.

SHORT STERLING OPTIONS (LFF) £50,000 points of 100%

Table of short sterling options prices.

BASE LENDING RATES

Table of base lending rates for various banks.

JAPANESE YEN FUTURES (MM) Yen 12.5 per Yen 100

Table of Japanese yen futures prices.

NEW ZEALAND DOLLAR FUTURES (MM) NZ\$100,000 per NZ\$100

Table of New Zealand dollar futures prices.

THREE MONTH EURO/DEMETER DOLLAR FUTURES

Table of three-month Euro/demeter dollar futures prices.

THREE MONTH EURO/DEMETER YEN FUTURES

Table of three-month Euro/demeter yen futures prices.

THREE MONTH EURO/DEMETER NEW ZEALAND DOLLAR FUTURES

Table of three-month Euro/demeter NZ dollar futures prices.

THREE MONTH EURO/DEMETER SWISS FRANC FUTURES

Table of three-month Euro/demeter Swiss franc futures prices.

THREE MONTH EURO/DEMETER DOLLAR CALLS

Table of three-month Euro/demeter dollar call options prices.

THREE MONTH EURO/DEMETER DOLLAR PUTS

Table of three-month Euro/demeter dollar put options prices.

THREE MONTH EURO/DEMETER YEN CALLS

Table of three-month Euro/demeter yen call options prices.

THREE MONTH EURO/DEMETER YEN PUTS

Table of three-month Euro/demeter yen put options prices.

THREE MONTH EURO/DEMETER NEW ZEALAND DOLLAR CALLS

Table of three-month Euro/demeter NZ dollar call options prices.

THREE MONTH EURO/DEMETER NEW ZEALAND DOLLAR PUTS

Table of three-month Euro/demeter NZ dollar put options prices.

THREE MONTH EURO/DEMETER SWISS FRANC CALLS

Table of three-month Euro/demeter Swiss franc call options prices.

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THREE MONTH EURO/DEMETER DOLLAR CALLS

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THREE MONTH EURO/DEMETER YEN CALLS

Table of three-month Euro/demeter yen call options prices.

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Table of three-month Euro/demeter yen put options prices.

THREE MONTH EURO/DEMETER NEW ZEALAND DOLLAR CALLS

Table of three-month Euro/demeter NZ dollar call options prices.

THREE MONTH EURO/DEMETER NEW ZEALAND DOLLAR PUTS

Table of three-month Euro/demeter NZ dollar put options prices.

THREE MONTH EURO/DEMETER SWISS FRANC CALLS

Table of three-month Euro/demeter Swiss franc call options prices.

THREE MONTH EURO/DEMETER SWISS FRANC PUTS

Table of three-month Euro/demeter Swiss franc put options prices.

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Table of three-month Euro/demeter dollar call options prices.

THREE MONTH EURO/DEMETER DOLLAR PUTS

Table of three-month Euro/demeter dollar put options prices.

Berkeley Futures Limited advertisement.

Market-Eye advertisement.

Futures & Options advertisement.

Disclosed Commissions advertisement.

Wanted to Know a Secret? advertisement.

Futures - Tax Free advertisement.

Offshore Companies advertisement.

Petroleum Argus Oil Market Guides advertisement.

Help Fill the Care Gap advertisement.

Support Macmillan Appeal advertisement.

Notice of Reduced Interest Payment advertisement.

Notice of Reduced Interest Payment advertisement.

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COMMODITIES AND AGRICULTURE

Hedging seen helping The downside to high grain yields Australia to climb gold output league

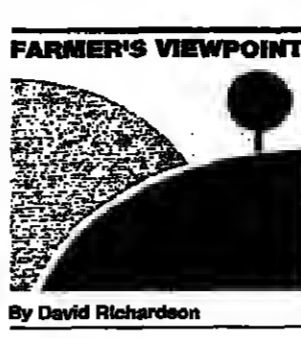
By Kenneth Gooding, Mining Correspondent

The role of hedging in promoting strong growth in global gold production is underlined by the latest report by the Washington based Gold Institute.

GOLD OUTPUT PROJECTIONS FOR 1999 (000 Troy ounces) Table with columns for country, 1995 output, % change from 1995, 1999 output, and % change from 1995.

Its analysis shows that, among the world's big producers, Australia - where most companies hedge - is set for substantial output growth to the end of the decade, while South Africa, where until recently gold groups have been reluctant to hedge, will see further falls in output.

First my good news: the wheat crops on our farm, which, because of the severe summer drought, I all but wrote off in this column a couple of weeks ago, are yielding much better than I expected.



By David Richardson

Now my relatively bad news - at least in comparison to other UK wheat growers in areas where the drought has been much less severe.

Back in January feed wheat - which sets the standard for all other grain on the UK market - was making up to £125 a tonne. By March, as some optimism on world production returned, the price had dropped to £115.

Canada to produce Wollastonite

By Robert Gibbons in Montreal

Canada will become the sixth wollastonite producer

in 1998 when Orleans Resources' C\$32m, 50,000-tonnes-a-year mine 240km north of Montreal comes on stream.

London coffee futures surge boils over

London Commodity Exchange rebuffs COFFE futures ended firmer yesterday but saw earlier gains pared heavily as the New York staged a correction from Monday's upsurge.

stood \$1.700 mark at \$1,800 a tonne, \$23 higher on the day after reaching a peak of \$1,740 at the opening.

sharply with the December contract slipping halow \$1,000 a tonne on producer selling and long liquidation.

down £19 on the day. At the London Metal Exchange most base metals prices gyrated in narrow price bands in afternoon, but LEAD dived below the psychologically important \$300-a-tonne level.

COMMODITIES PRICES

BASE METALS

Table of base metal prices including LONDON METAL EXCHANGE, ALUMINIUM, LEAD, and TIN prices.

Precious Metals continued

Table of precious metal prices including GOLD COMEX, PLATINUM NYMEX, and SILVER COMEX.

GRAINS AND OIL SEEDS

Table of grain and oil seed prices including WHEAT LCE, SOYBEAN OIL, and SOYBEAN MEAL.

SOFTS

Table of soft commodity prices including COCOA LCE, COFFEE LCE, and SUGAR.

MEAT AND LIVESTOCK

Table of meat and livestock prices including LONDON TRADED OPTIONS and LONDON SPOT MARKETS.

ENERGY

Table of energy prices including CRUDE OIL NYMEX, CRUDE OIL IPE, and HEATING OIL NYMEX.

PRECIOUS METALS

Table of precious metal prices including LONDON BULLION MARKET and UNLEADED GASOLINE NYMEX.

CROSSWORD

Crossword puzzle grid with clues and solutions provided.

MINOR METALS

Table of minor metal prices including EUROPEAN FINE METALS and FUTURE DATA.

INDICES

Table of market indices including REUTERS, CRB, and GSCI.

VOLUME DATA

Table of volume data for various commodities.

SOLUTIONS

Table of crossword puzzle solutions.

SPRINGBOARD

Table of Springboard puzzle solutions.

TRADER'S

Table of trader's puzzle solutions.

TRADER'S

Table of trader's puzzle solutions.

Handwritten text at the bottom of the page: 'سودا من الالصال'

صحة من الاجل

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various fund managers and their products in Bermuda, including details on assets and performance.

BERMUDA (REGULATED)**

Table listing regulated fund managers and their products in Bermuda, including details on assets and performance.

GUERNSEY (SIB RECOGNISED)

Table listing fund managers and their products in Guernsey, including details on assets and performance.

GUERNSEY (REGULATED)**

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IRELAND (SIB RECOGNISED)

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ISLE OF MAN (SIB RECOGNISED)

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Advertisement for Novotel hotels: 'OUR BEDROOMS HAVE MORE BED ROOM.' Includes text about room size and comfort, and contact information.

Offshore Funds

Table listing various offshore funds, including details on assets, performance, and fund managers.

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4578 for more details.

Main table containing fund names, descriptions, and prices. Includes sections for 'LUXEMBOURG (SIB RECOGNISED)', 'Merrill Lynch Asset Management - Cont'd', and 'Svenska Skapningar'. Each entry lists fund names, their descriptions, and associated prices.

OTHER OFFSHORE FUNDS
This section lists additional offshore funds and insurance products, including names like 'Merrill Lynch Asset Management' and 'Svenska Skapningar'.

Handwritten text at the bottom of the page, possibly a signature or reference code.

صندوق الاستثمار

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 675 4376 for more details.

Offshore Insurances and Other Funds

Main table of fund prices and performance data, organized into columns for various fund categories and providers.

HELP FILL THE CARE GAP IN BRITAIN. SUPPORT THE Macmillan APPEAL. Over one million people are living with cancer in Britain today...

OTHER OFFSHORE FUNDS

Table listing various offshore funds and their details, including names, providers, and performance metrics.

MANAGED FUNDS NOTES: Please see pages 10-11 for more information on the funds listed in this section.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing various alcoholic beverage companies and their share prices.

BANKS, MERCHANT

Table listing bank and merchant companies and their share prices.

BANKS, RETAIL

Table listing retail bank companies and their share prices.

BREWERIES, PUBS & REST

Table listing brewery, pub, and restaurant companies and their share prices.

BUILDING & CONSTRUCTION

Table listing building and construction companies and their share prices.

BUILDING MATERIALS & MERCHANTS

Table listing building materials and merchant companies and their share prices.

CHEMICALS

Table listing chemical companies and their share prices.

CHEMICALS - Cont.

Continuation of chemical companies and share prices.

DISTRIBUTORS

Table listing distributor companies and their share prices.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies and their share prices.

ELECTRICITY

Table listing electricity companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of electronic and electrical equipment companies.

ENGINEERING

Table listing engineering companies and their share prices.

ENGINEERING - Cont.

Continuation of engineering companies.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies and their share prices.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of extractive industries companies.

FOOD PRODUCERS

Table listing food producer companies and their share prices.

FOOD PRODUCERS - Cont.

Continuation of food producer companies.

HOUSEHOLD GOODS

Table listing household goods companies and their share prices.

HOUSEHOLD GOODS - Cont.

Continuation of household goods companies.

INSURANCE

Table listing insurance companies and their share prices.

INVESTMENT TRUSTS

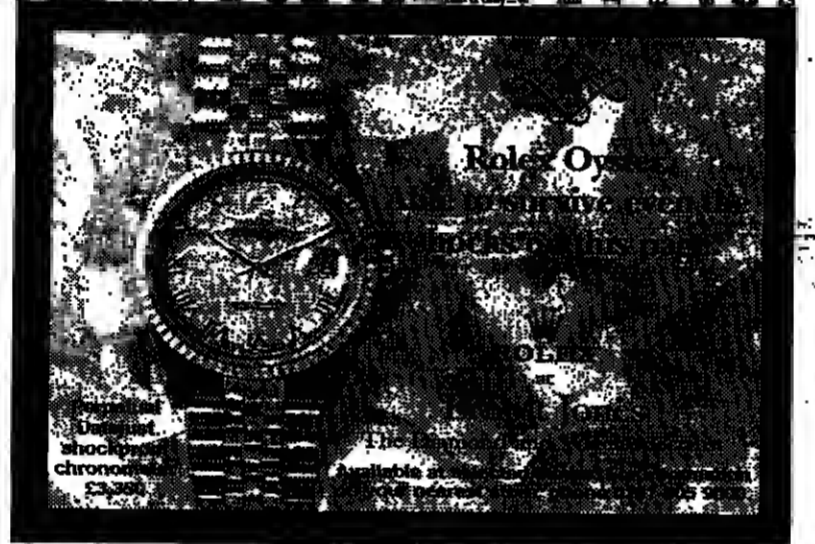
Table listing investment trusts and their share prices.

INVESTMENT TRUSTS - Cont.

Continuation of investment trusts.

INV TRUSTS SPLIT CAPITAL

Table listing split capital investment trusts and their share prices.



OTHER INVESTMENT COMPANIES

INVESTMENT COMPANIES

LEISURE & HOTELS

صفحة من الامل

NEW TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their financial details, including names like 'The FT-SE 100 Index Trust' and 'The FT-SE 250 Index Trust'.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts such as 'The FT-SE 100 Index Trust' and 'The FT-SE 250 Index Trust'.

INVESTMENT COMPANIES

Table listing investment companies and their performance metrics.

LEISURE & HOTELS

Table listing leisure and hotel companies.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies.

LIFE ASSURANCE

Table listing life assurance companies (continued).

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies.

PROPERTY

Table listing property companies.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing retailers and food companies.

RETAILERS, GENERAL

Table listing general retailers.

RETAILERS, GENERAL

Table listing general retailers (continued).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing retailers and food companies (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

TELECOMMUNICATIONS

Table listing telecommunications companies (continued).

TEXTILES & APPAREL

Table listing textiles and apparel companies (continued).

TOBACCO

Table listing tobacco companies (continued).

TRANSPORT

Table listing transport companies (continued).

AMERICANS

Table listing American companies.

AMERICANS

Table listing American companies (continued).

CANADIANS

Table listing Canadian companies.

CANADIANS

Table listing Canadian companies (continued).

Advertisement for Rockwell components for heavy and medium duty trucks and trailers, featuring the Rockwell logo and text: 'Rockwell components for heavy and medium duty trucks and trailers keep businesses on the road to exceptional performance.'

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service offered by FT Stock, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE 100 and FT-SE 250 indices. Daily share prices are given when available. High and low are shown as an indication of price movement over a 12-week period. Where shares are denominated in currencies other than sterling, the price is indicated after the name. Symbols indicating a dividend status appear in the index column. Dividends are given in pence and pence fractions and are published on Monday. Market capitalisation shown is calculated according to the last day of trading. Dividends are based on the latest available figures. Dividend dates are given in the index column. Dividends are given in pence and pence fractions. Dividends are given in pence and pence fractions. Dividends are given in pence and pence fractions.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company associated with the FT Cityline service. Reports will be sent the next working day, subject to availability. FT Cityline 10-15 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements. Company Focus (FT news) 05.45. Focus Plus (FT and Investors Chronicle news) 05.55. To order, call 0171 230 4572. Reports published by ShareFinder Ltd. FT Cityline Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. An international service is available for callers outside the UK, annual subscription £250. Call 0171 875 4376 for more information on FT Cityline. For readers phoning from outside UK, please dial +44 in place of the first 0. The share prices printed on these pages are also available on the Internet at http://www.ft.com.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities retreat amid US interest rate fears

By Steve Thompson, UK Stock Market Editor

Worries about the next move in US interest rates cast a dark shadow over the UK stock market yesterday, with share prices retreating sharply at the start of the day before staging a strong rally towards the close.

The absence of any heavy-weight selling pressure by the UK institutions, however, was one of the reasons behind London's late recovery and the FT-SE 100 index managed to end the session only 1.8 off at 3,906.7.

There was no real weight of trading in London, however, with turnover at the 6pm reading coming out at 563.2m shares, with non-FT-SE 100 stocks accounting for 86 per cent of the overall total.

Some bulls said 4,000 on the FT-SE 100 was still a possibility, but only if there was a burst of takeover activity in the market place.

The FT-SE 100 kicked off the session almost 18 points lower and continued to slide during the first hour of trading. Thereafter, sentiment began to pick up and the FT-SE 100 moved briefly into positive territory, just after Wall Street opened for business.

At the day's best the FT-SE 100 was 1.3 higher at 3,908.3. Thereafter it slipped away to end the session marginally lower.

The big winners in the FT-SE 100 included Pearson, the media group, whose shares surged ahead amid talk of a break-up bid for the group, while BAT Industries featured with a near 3 per cent rise after positive news from the US.

US talks blow for Airways

British Airways fell steeply after the late afternoon announcement that the US Transportation Department had decided to cancel the "open skies" talks due to be held this week.

group's shares rising to the day's peak of 4.65p. However, a combination of general profit-taking and speculation about how Prudential is to spend the proceeds of the sale saw the shares come off the top to close unchanged at 437p, after trade of 3.8m.

There was no real weight of trading in London, however, with turnover at the 6pm reading coming out at 563.2m shares, with non-FT-SE 100 stocks accounting for 86 per cent of the overall total.

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The FT-SE 100 kicked off the session almost 18 points lower and continued to slide during the first hour of trading. Thereafter, sentiment began to pick up and the FT-SE 100 moved briefly into positive territory, just after Wall Street opened for business.

At the day's best the FT-SE 100 was 1.3 higher at 3,908.3. Thereafter it slipped away to end the session marginally lower.

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CALL FOR EXPRESSIONS OF INTEREST FOR THE PURCHASE OF THE GROUPS OF ASSETS OF "MINAIDIS-FOTIADIS WOOL INDUSTRY S.A." OF ATHENS, GREECE. Includes details of the company, assets for sale, and contact information.

CREDIT NATIONAL. US\$ 250,000,000 Floating Rate Notes due 1997. Includes details of the offering, interest rate, and contact information.

WORLD TAX REPORT. World Tax Report enjoys an international reputation for being the first to report on all important changes in the many tax jurisdictions. Includes details of the report's content and contact information.

MARGINED CURRENCY DEALING. Includes details of currency trading services, contact information, and a list of managed accounts.

PETROBRAS. BIDDING ANNOUNCEMENT. Includes details of the bidding process for the implementation of Polo Arara Station, contact information, and a list of managed accounts.

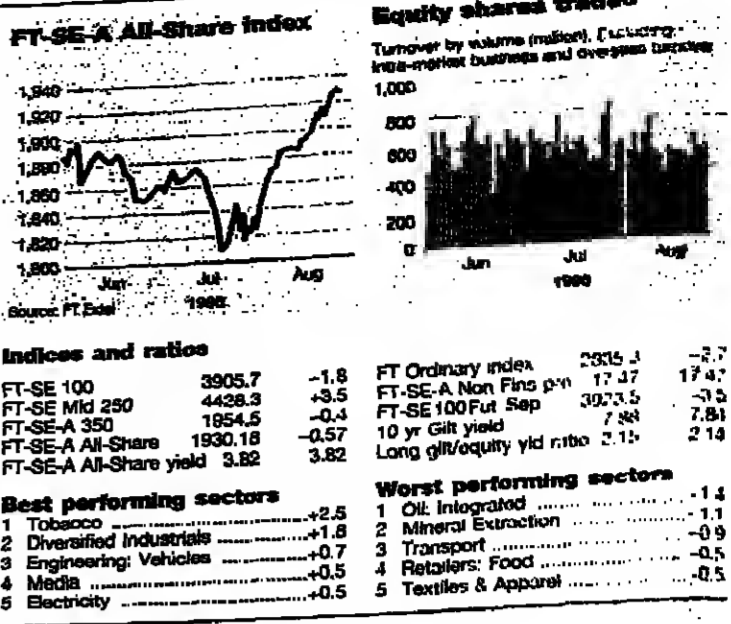


Table of Futures and Options. Columns include instrument name, price, change, and other market data.

Table of London Recent Issues: Equities. Lists various companies, their share prices, and other financial metrics.

Table of FT-SE Gold Mines Index. Lists gold mining companies and their share prices.

Table of FT-SE Actuaries Share Indices. Lists various share indices and their performance metrics.

Table of TRADING VOLUME. Lists major stocks and their trading volumes.

Handwritten text in Arabic script: "صندوق الاستثمار"

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (Aug 27 / Sch) table with columns for stock names, prices, and changes.

GERMANY (Aug 27 / Dm.) table with columns for stock names, prices, and changes.

FRANCE (Aug 27 / Frs) table with columns for stock names, prices, and changes.

NETHERLANDS (Aug 27 / Fls) table with columns for stock names, prices, and changes.

FINLAND (Aug 27 / Mk) table with columns for stock names, prices, and changes.

SWEDEN (Aug 27 / Kron) table with columns for stock names, prices, and changes.

INDICES table listing various market indices and their values.

ITALY (Aug 27 / Lit) table with columns for stock names, prices, and changes.

SPAIN (Aug 27 / Ptas) table with columns for stock names, prices, and changes.

PORTUGAL (Aug 27 / Esc) table with columns for stock names, prices, and changes.

NETHERLANDS (Aug 27 / Fls) table with columns for stock names, prices, and changes.

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Asian Focus. Global Distribution. We know your needs, we know Asia. Peregrine, the largest independent investment bank in Asia (ex-Japan) with 35 offices around the world.

TURKEY (Aug 27 / TL Lira) table with columns for stock names, prices, and changes.

JAPAN (Aug 27 / Yen) table with columns for stock names, prices, and changes.

NETHERLANDS (Aug 27 / Fls) table with columns for stock names, prices, and changes.

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INDEXES FUTURE table with columns for index names, prices, and changes.

NETHERLANDS (Aug 27 / Fls) table with columns for stock names, prices, and changes.

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Summary table with columns for various market metrics, including S&P 500, Nikkei 225, and other indices.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page' and 'AMER'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections for 'T', 'U', and 'X-Y-Z'.

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NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, and change. Includes sub-sections for 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, and change.

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AMERICA Rising bonds lift stocks at midsession

Wall Street

Rising bond prices helped lift shares to post modest gains in quiet midsession trading as both markets recovered some of Monday's losses...

Technology shares were mostly stronger with the technology-rich Nasdaq composite rising 5.50 to 1,144.72. The four largest companies on the Nasdaq were mixed with Microsoft rising 8 1/4 to \$39 1/2...

Both the stock and bond markets fell on Monday amid worries that the Federal Reserve was more likely to raise interest rates than many investors had believed.

Caracas moves up

A second successive record high was due to be set in CARACAS as the IBC index advanced 67.13 or 1.4 per cent to 4,887.89 by midday.

On Monday the market rose 1 per cent and brokers said that there was still plenty of foreign interest in companies such as Mayaca and Electricidad de Caracas.

MARKETS IN PERSPECTIVE table showing % change in local currency for various markets like Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Canada, USA, Mexico, South Africa, and WORLD INDEX.

FTSE ACTUARIES WORLD INDICES table showing indices for various countries including Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Israel, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, UK, USA, and World.

EUROPE Swiss Re plaudits counter Roche anticlimax

An upbeat assessment of Swiss Re's purchase of M & A countered disappointment in BUKOR at first half profit figures from Roche.

Swiss Re jumped 8 1/2 per cent to 871.00 on the view that the company's 875.5m purchase from Britain's Prudential would boost group earnings and enhance shareholder value.

Roche's earnings were also boosted by a 10 per cent rise in interim profits caused by a 7.6 per cent rise in operating profits failed to match forecasts.

Asia-Pacific markets saw mixed activity with the Nikkei average closing marginally higher on technical activity.

ASIA PACIFIC New 1996 low for Tokyo stock exchange volume

Volume on the Tokyo stock exchange fell to another 1996 low as the Nikkei average closed marginally higher on technical activity.

The Nikkei index rose 0.26 to 15,884.13 and the Nikkei 225 closed unchanged at 301.49.

Roundup section with brief market summaries for various regions.

Stals encourages S Africa: Johannesburg was encouraged by largely neutral comments from Mr Chris Stals, the reserve bank governor...

FRANKFURT saw German stock market turnover more than double from DM50n to DM65n as the Day Index rose 0.17 to an index-adjusted 6,553.99.

Chemicals the business magazine, Capital, said that Hoechst could lift its operating profits by DM1.6n to DM4.6n this year, backing up above-consensus forecasts from Mr Peter Hagedorn of JP Morgan and lifting the share by DM1.0n to DM69.57.

Carrefour, the supermarket group, gained after being upgraded by a domestic broker. The share rose from FF76 to FF78.50.

Technologies slipped 1 1/2 per cent to FF191 after announcing plans to buy the minorities in its home Delmas-Vieljeux division.

Roundup

Lower than expected GDP growth figures compounded the impact of Monday's jail sentences imposed on several top business leaders in South Korea.

Plato at Pta4.100, recovering part of a long run of losses ahead of its first half results.

Teledifusion continued to climb, helped by strong growth expectations at foreign brokers. The stock closed up Ptas at Ptas3,000 with about 4.5m shares traded.

MADRID was boosted by bond market gains, and foreign equity buying after news that the Spanish government was considering a cut in spending in real terms in 1997.

MILAN overcame worries over the 1997 budget, concentrating instead on companies for 1996.

Foreign institutions had made toward investments of more than US\$600m over the past 10 days.

KUALA LUMPUR's second board stock survey 5.1 per cent to a new closing high, the index rising 16.18 to 871.12 as blue chips continued to flourish.

TAIPEI continued to rise ahead of its inclusion on September 5 in Morgan Stanley's global stock indices.

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